



Singing Machine Reports Fiscal 2017 Annual Earnings Report

Fort Lauderdale, FL, June 29, 2017 – **The Singing Machine Company, Inc.** (“Singing Machine” or the “Company”) (OTCQX: **SMDM**) – the North American leader in consumer karaoke products – today announced its financial results for its full fiscal year ended March 31, 2017.

Full Fiscal 2017 Highlights:

- \$0.04 earnings per share; EBITDA earnings per share of \$0.07 on a fully diluted basis.
- Net sales for the fiscal year increased by 8% to \$52.9 million.
- Gross margin for the year improved by 1.7% to 26.1%.
- Net income before tax for the fiscal year increased by \$1.1 million (or 70%) to \$2.7 million.
- Net income for the fiscal year of \$1.7 million.
- Paid down approximately \$1.1 million in related party debt.
- 80% YoY increase in digital music sales.

Singing Machine reports net sales of approximately \$52.9 million for the March 31, 2017 fiscal year-end period, compared to approximately \$48.9 million in the prior year. The increase in net sales is primarily due to an increase in sales to three of the Company’s top retailers and an increase in on-line shopping. Some of the increase was also attributable to increased demand for product internationally.

Gross profit margin increased by 1.7% from 24.4% to 26.1%. As a result, gross profit increased to \$13.8 million compared to \$11.9 million in the prior year. The increase in gross margin was due to increased profit margins on the digital download product line compared to the margin on the Classic karaoke line.

Total operating expenses increased from \$10.0 million in the prior year to approximately \$10.9 million for Fiscal 2017. The increase was partially attributable to variable selling expense commensurate with the increase in net sales and partially caused by an increase in general & administrative expenses.

As a result of the above, net income before tax increased by 70% to \$2.7 million (or \$0.07 cents per share) compared to \$1.6 million (\$0.04 cents per share) in the prior year. The Company recognized an income tax provision of \$1.0 million based on an effective tax rate of 34.1%. The Company still retains approximately \$1.5 million in deferred tax assets going forward. Net income for the fiscal year remained at \$1.7 million compared to the prior year, which is primarily due to the \$1.0 million income tax provision recognized this year as compared to a \$0.1 million tax benefit recognized last year due to a reversal of a deferred tax asset valuation reserve of \$0.7 million.

Management Commentary:

Gary Atkinson, Singing Machine CEO commented, “Fiscal 2017 marks six consecutive years of increased profits and growth. We’re excited with the results, particularly, we saw an 8% growth in overall net sales yet we drove a 70% increase to our pre-tax net income, resulting in \$0.07 cents per share in pre-tax earnings. This was the result of increasing overall margin while holding our expenses relatively flat.” Atkinson added, “As we move into our new fiscal year, we remain heavily optimistic about our ability to continue to grow hardware sales both domestically and abroad, while continuing to expand our recurring revenue stream with music sales and subscriptions.”

Bernardo Melo, Vice President of Sales, commented, “We are feeling the positive effects of the strong demand for karaoke and the Singing Machine brand that is opening up doors to new retail partners domestically and internationally. We just signed up a new major retailer in the U.S. for karaoke and our new toy line of products are gaining traction with new and existing customers. We’re excited to start shipping our toy products now for the fall.”

Melo added, “Additionally, as e-commerce grows, we are well positioned to grow with it. Last year, our e-commerce sales grow over 40% year-over-year with e-commerce now accounting for over 20% of Company sales. As we move into Fiscal 2018, we enter the year with strong momentum, increasing demand and order commitments, and a roadmap of upcoming product innovations and new product releases to announce.”

Earnings Call Information:

The Company will host a conference call today, Thursday, June 29, beginning at 10:00 am Eastern time to discuss these results and answer questions. If you would like to participate on the call, please dial 866-342-8591 and use conference ID: SMDM.

An audio rebroadcast of the call will be available later in the day after the earnings call and can be heard at: www.singingmachine.com/investors.

About The Singing Machine

Based in the U.S., Singing Machine® is the North American leader in consumer karaoke products. The first to provide karaoke systems for home entertainment in the United States, the Company sells its products worldwide through major mass merchandisers and on-line retailers. We offer the industry's widest line of at-home karaoke entertainment products, which allow consumers to find a machine that suits their needs and skill level. As the most recognized brand in karaoke, Singing Machine products incorporate the latest technology for singing practice, music listening, entertainment and social sharing. The Singing Machine provides consumers the best warranties in the industry and access to over 13,000 songs for streaming and download. Singing Machine products are sold through most major retailers in North America and internationally. See www.singingmachine.com for more details.

Investor Relations Contact:

Brendan Hopkins
(407) 645-5295
investors@singingmachine.com
www.singingmachine.com
www.singingmachine.com/investors

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about the Company's business based, in part, on assumptions made by management and include, but are not limited to statements about our financial statements for the fiscal year ended March 31, 2017. You should review our risk factors in our SEC filings which are incorporated herein by reference. Such forward-looking statements speak only as of the date on which they are made and the company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release.

The Singing Machine Company, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	March 31, 2017	March 31, 2016
<u>Assets</u>		
Current Assets		
Cash	\$ 2,305,439	\$ 2,116,490
Accounts receivable, net of allowances of \$132,583 and \$51,179, respectively	1,655,518	1,381,789
Due from PNC Bank	242,859	184,392
Accounts receivable related party - Starlight Consumer Electronics USA, Inc.	-	2,820
Accounts receivable related party - Starlight R&D, Ltd.	-	4,255
Accounts receivable related party - Cosmo Communications Canada, Ltd	-	19,077
Inventories, net	5,426,346	3,690,975
Prepaid expenses and other current assets	81,278	115,601
Deferred financing costs	21,606	74,077
Total Current Assets	9,733,046	7,589,476
Property and equipment, net	412,805	430,602
Other non-current assets	11,523	11,394
Deferred financing costs, net of current portion	-	21,606
Deferred tax asset	1,479,209	2,408,531
Total Assets	\$ 11,636,583	\$ 10,461,609
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable	\$ 1,381,870	\$ 722,213
Note payable related party - Ram Light Management, Ltd.	-	696,612
Due to related party - Ram Light Management, Ltd	-	400,000
Accrued expenses	626,331	650,115
Current portion of capital lease	-	1,078
Obligations to customers for returns and allowances	38,460	121,092
Warranty provisions	223,700	292,500
Subordinated related party debt - Starlight Marketing Development, Ltd.	1,924,431	-
Total Current Liabilities	4,194,792	2,883,610
Subordinated related party debt - Starlight Marketing Development, Ltd.	-	1,924,431
Total Liabilities	4,194,792	4,808,041
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, Class A, \$0.01 par value; 100,000 shares authorized; no shares issued and outstanding	-	-
Common stock, Class B, \$0.01 par value; 100,000,000 shares authorized; 38,279,303 and 38,181,635 shares issued and outstanding, respectively	382,593	381,816
Additional paid-in capital	19,412,787	19,337,939
Subscriptions receivable	-	(6,400.00)
Accumulated deficit	(12,353,589)	(14,059,787)
Total Shareholders' Equity	7,441,791	5,653,568
Total Liabilities and Shareholders' Equity	\$ 11,636,583	\$ 10,461,609

See notes to the consolidated financial statements.

The Singing Machine Company, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Years Ended		
	March 31, 2017	March 31, 2016	March 31, 2015
Net Sales	\$ 52,919,228	\$ 48,856,544	\$ 39,308,281
Cost of Goods Sold	39,082,802	36,937,654	30,997,211
Gross Profit	13,836,426	11,918,890	8,311,070
Operating Expenses			
Selling expenses	5,035,787	4,656,003	3,104,598
General and administrative expenses	5,648,036	5,153,950	4,507,606
Depreciation	166,025	171,785	130,254
Total Operating Expenses	10,849,848	9,981,738	7,742,458
Income from Operations	2,986,578	1,937,152	568,612
Other Expenses			
Interest expense	(189,230)	(261,061)	(253,282)
Financing costs	(74,077)	(74,077)	(52,471)
Total Other Expenses	(263,307)	(335,138)	(305,753)
Income before income tax (provision) benefit	2,723,271	1,602,014	262,859
Income tax (provision) benefit	(1,017,073)	101,376	(92,701)
Net Income	1,706,198	\$ 1,703,390	\$ 170,158
Income per Common Share			
Basic	\$ 0.04	\$ 0.04	\$ 0.00
Diluted	\$ 0.04	\$ 0.04	\$ 0.00
Weighted Average Common and Common Equivalent Shares:			
Basic	38,242,535	38,146,391	38,097,226
Diluted	39,422,608	38,597,862	38,602,577

See Notes to the consolidated financial statements.

The Singing Machine Company, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	March 31, 2017	March 31, 2016	March 31, 2015
Cash flows from operating activities:			
Net Income	\$ 1,706,198	\$ 1,703,390	\$ 170,158
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	166,025	171,785	130,254
Amortization of deferred financing costs	74,077	74,077	52,471
Change in inventory reserve	(60,000)	339,000	(217,000)
Change in allowance for bad debts	81,404	(122,952)	1,666
Stock-based compensation	63,745	24,214	46,308
Change in net deferred tax assets	929,322	(102,976)	92,701
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(355,133)	207,331	(512,283)
Due from Crestmark Bank	-	-	19,638
Due from PNC Bank	(58,467)	(46,977)	(137,415)
Accounts receivable related parties	26,152	(26,152)	
Inventories	(1,675,371)	3,418,192	(1,403,554)
Prepaid expenses and other current assets	34,323	(22,992)	(1,521)
Other non-current assets	(129)	-	6,236
Increase (decrease) in:			
Accounts payable	659,657	(2,044,967)	849,104
Due to related parties	(400,000)	(986,206)	(147,825)
Accrued expenses	(23,784)	150,969	52,832
Warranty provisions	(68,800)	94,627	(37,299)
Obligations to customers for returns and allowances	(82,632)	(278,327)	(70,419)
Net cash provided by (used in) operating activities	<u>1,016,587</u>	<u>2,552,036</u>	<u>(1,105,948)</u>
Cash flows from investing activities:			
Purchase of property and equipment	(148,228)	(135,816)	(35,600)
Refund (deposit) of restricted cash	-	-	138,042
Net cash (used in) provided by investing activities	<u>(148,228)</u>	<u>(135,816)</u>	<u>102,442</u>
Cash flows from financing activities:			
Proceeds from subscriptions receivable	6,400	-	-
Proceeds from exercise of stock options	11,880	-	-
Payment on note payable related party - Ram Light Management, Ltd.	(696,612)	(403,388)	-
Payment of deferred financing costs	-	-	(222,231)
Payments on long-term capital lease	(1,078)	(12,628)	(12,076)
Net cash used in financing activities	<u>(679,410)</u>	<u>(416,016)</u>	<u>(234,307)</u>
Net change in cash	<u>188,949</u>	<u>2,000,204</u>	<u>(1,237,813)</u>
Cash at beginning of year	<u>2,116,490</u>	<u>116,286</u>	<u>1,354,099</u>
Cash at end of year	<u>\$ 2,305,439</u>	<u>\$ 2,116,490</u>	<u>\$ 116,286</u>
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	\$ 253,008	\$ 270,193	\$ 180,371
Cash paid for income taxes	\$ 58,955	\$ -	\$ -
Supplemental Disclosures of Non-cash Investing and Financing Activities:			
Conversion of related party payables to note payable	\$ -	-	\$ 1,100,000
Property and equipment purchased under capital lease	\$ -	-	\$ 36,388
<i>See notes to the consolidated financial statements.</i>			